

AR20

July

Stall Lake Mines Ltd.

1972 annual report



BOARD OF DIRECTORS: D. S. PATERSON, *Winnipeg, Man.*
W. C. BRISBIN, *Winnipeg, Man.*
K. NUMEROW, *Winnipeg, Man.*
J. B. MCSORLEY *Virden, Man.*
G. T. SMITH *Toronto, Ont.*
W. MCKAYSEFF *Winnipeg, Man.*

OFFICERS: D. S. PATERSON, *President*
W. C. BRISBIN, *Vice-President*
K. NUMEROW, *Secretary-Treasurer*
F. E. COLE, *Asst. Secretary-Treasurer*
J. B. MCSORLEY, *Executive Assistant*

AUDITORS: THORNE, GUNN, HELLIWELL & CHRISTENSON,
Winnipeg, Man.

GENERAL COUNSEL: K. NUMEROW — SIMMS, NUMEROW & CO.
Winnipeg, Man.

CONSULTING GEOLOGIST: W. C. BRISBIN, P.ENG., *Winnipeg, Man.*

TRANSFER AGENTS: CANADA PERMANENT TRUST COMPANY
Winnipeg, Man.,
Vancouver, B.C.

STOCK LISTED: THE WINNIPEG STOCK EXCHANGE
THE VANCOUVER STOCK EXCHANGE

DIRECTORS' REPORT

ROD CLAIMS (Snow Lake, Manitoba)

The past year has been a difficult one for your Company. The great expectations which existed during the preceding year and which resulted from the activity of Falconbridge Nickel Mines Limited toward bringing the ore body into production received a serious setback when Falconbridge slowed its pace after spending some \$2,100,000.00 on preparing the shaft site, constructing facilities, collaring the shaft, erecting the headframe and acquiring plant and equipment.

For some months your Directors were led to believe that resumption of work was imminent. However, after several delays, it was considered advisable for your Company to arrange its own financing and bring the ore body into production itself without awaiting further determinations by Falconbridge.

Since that time the efforts of your Directors have been primarily directed towards arranging the financing necessary for this purpose. Approaches have been made to numerous institutions and organizations, both private and governmental, domestic and foreign. A number of these approaches have met with serious interest and we are optimistic that the financing can be arranged on reasonable terms in the near future.

In the course of these efforts it became important to have a director resident in Toronto who had experience in both the financial and technical aspects of bringing a mine into production and whose credentials were recognized by those with whom we were negotiating. To that end Mr. George Smith was appointed as a director of your Company.

Mr. Smith is a director and Executive Vice-President of Northgate Explorations, a producing company, and is involved in several other mining ventures. His experience and efforts have already done much to advance our progress and we look forward to working with him in the future.

Much work remains to be done before production is achieved. Nevertheless we are optimistic that the coming year will herald the achievement of our long awaited primary objective.

WILDNEST, Saskatchewan Claims

At the end of the previous year, the third phase of an exploration program had been completed and it was estimated that the mineralized zone on which the work had been conducted contained 2,186,056 short tons averaging 0.61% copper and 1.35% zinc with variable gold and silver assays, the highest of which was .04 oz. gold per ton and .72 oz. silver per ton. The length of the mineralized zone is 2,100 feet up to 500 feet in width and up to 85 feet in thickness.

Since that time a major company has acquired a considerable amount of ground in the Wildnest area and your Company, in conjunction with its partner in these claims, is negotiating with that company with a view to further exploration work.

Consideration is also being given to further diamond drilling on areas of the property not previously tested by drilling.

Stall Lake owns a 70% interest in these claims and the claims are in good standing. Sufficient work has been done to have almost all of the claims declared a developed area. This would relieve your Company of assessment work requirements.

DIRECTORS' REPORT CONT.

CANTON, KAYS AND CLAIM BLOCKS

During the past year a number of anomalies, located by the previous year's geophysical program, were tested by diamond drilling. Low grade mineralization was located in several areas.

After reviewing the results of the diamond drilling, it was decided that the option on the Kays Claims should be terminated and that the option on the Canton Claims should be renewed. Consideration is being given to further work on the Canton Claims.

The Claim Blocks are also being retained for further consideration and discussions are in progress with the owner of the adjacent Flo Claims with a view to the possibility of a future joint exploration program.

COMMENTS

New properties continue to be of interest to your Company and, with the record increases in the price of gold, a number of gold claims are being considered for possible acquisition.

However, with the difficulties encountered in bringing the Rod Claims into production, your Directors have been required to direct their efforts away from new projects and have re-dedicated themselves to the major objective of mining of the known ore body situate on the Rod Claims which our consulting geologist has estimated to contain 672,641 tons averaging 5.38% copper, 2.28% zinc with values in gold and silver. Recent increases in the price of gold will reflect significantly in the value of the ore body.

Our efforts to this end have been greatly advanced by the co-operation and assistance of a number of interested shareholders and by our new director. We take this opportunity to express our gratitude to each of them and look forward to being given the opportunity of working with them in the coming year.

On behalf of the Board

"D. S. PATERSON"

President.

Thorne,
Gunn,
Helliwell
& Christenson

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Stall Lake Mines Limited

We have examined the balance sheet of Stall Lake Mines Limited as at March 31, 1972 and the statements of deferred exploration, development and administrative expenditures, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at March 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Gunn Helliwell & Christenson

Winnipeg, Canada
May 10, 1972

Chartered Accountants

STALL LAKE MINES LIMITED
(Incorporated under the laws of Manitoba)

BALANCE SHEET - MARCH 31, 1972
(with comparative figures at March 31, 1971)

Approved by the Board

STALL LAKE MINES LIMITED

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT
AND ADMINISTRATIVE EXPENDITURES

YEAR ENDED MARCH 31, 1972
(with comparative figures for 1971)

	1972	1971
EXPLORATION AND DEVELOPMENT		
Snow Lake, Manitoba		
Mine supplies, expenses and travel	\$ 2,629	\$ 878
Production planning	4,214	
Watchman's wages and benefits	<u>4,957</u>	<u>3,468</u>
	11,800	4,346
Less reimbursements	<u>457</u>	<u>3,841</u>
	<u>11,343</u>	<u>505</u>
Claim Blocks 3558, 3559, 3560		
Geophysical survey	2,844	2,000
Drilling	7,604	
Supplies and expenses	<u>294</u>	<u>293</u>
	<u>10,742</u>	<u>2,293</u>
Canton Claims		
Geophysical survey	1,017	
Supplies and expenses	<u>93</u>	
	<u>1,110</u>	
Kays Claims		
Option deposit	2,000	
Geophysical survey	6,602	
Drilling	10,420	
Supplies and expenses	<u>92</u>	
	<u>19,114</u>	
Wildnest Lake, Saskatchewan		
Consulting fees and expenses		4,067
Drilling		<u>20,477</u>
		<u>24,544</u>
Total exploration and development	<u>42,309</u>	<u>27,342</u>

STALL LAKE MINES LIMITED

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT
AND ADMINISTRATIVE EXPENDITURES

YEAR ENDED MARCH 31, 1972
(with comparative figures for 1971)

	1972	1971
ADMINISTRATIVE		
Accounting and audit	\$	\$ 1,066
Dues and subscriptions	253	106
Office rent, light and telephone	2,927	2,249
Office supplies and general expenses	1,781	1,126
Officers' remuneration	7,200	7,200
Printing and postage	2,200	1,914
Salaries	6,970	3,545
Transfer agents' fees and expenses	3,522	4,851
Travel and promotion	<u>2,288</u>	<u>464</u>
	<u>28,066</u>	<u>22,521</u>
Expenditures for the year	70,375	49,863
Deduct interest and dividends earned	<u>9,234</u>	<u>11,677</u>
	61,141	38,186
NET DEFERRED EXPENDITURES FOR THE YEAR		
Balance deferred at beginning of year	303,108	264,922
Less transfer to deficit of Kays Claims development expenses	<u>364,249</u>	<u>303,108</u>
	<u>19,114</u>	
BALANCE DEFERRED AT END OF YEAR	<u>\$ 345,135</u>	<u>\$ 303,108</u>

STALL LAKE MINES LIMITED

STATEMENT OF DEFICIT

YEAR ENDED MARCH 31, 1972
(with comparative figures for 1971)

	1972	1971
Balance at beginning of year	\$ 54,132	\$ 55,589
Development expenditure (recoveries) on previously surrendered claims		(2,657)
Organization expense written off		1,200
Development expenditures on surrendered Kays Claim options	<u>19,114</u>	
BALANCE AT END OF YEAR	\$ <u>73,246</u>	\$ <u>54,132</u>

STALL LAKE MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1972

1. MINING CLAIMS AND OPTIONS

MINING CLAIMS

18 claims (M5819 to M5836) in the Snow Lake area, of The Pas Mining District, Manitoba, acquired by the issuance of 750,000 common shares \$ 112,500

Under the terms of an agreement dated June 1, 1965, Falconbridge Nickel Mines Limited has acquired a 50% interest in these claims. The agreement further provides that should Falconbridge incorporate a new company to operate any of the claims and finance the development costs on an interest free basis, their interest would be increased to 60%.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED MARCH 31, 1972
(with comparative figures for 1971)

	1972	1971
SOURCE OF FUNDS		
Issue of capital stock	\$ <u>7,201</u>	
APPLICATION OF FUNDS		
Net deferred expenditures for the year	61,141	\$ 38,186
Purchase of Scope Resources Limited shares	760	
Purchase of Canton Claim option	3,000	
Staking of Claim Blocks 3558, 3559, 3560		875
Deferred expenditures (recoveries) on previously surrendered claims	<u>294</u>	(2,657)
Additions to equipment	<u>65,195</u>	<u>36,404</u>
DECREASE IN WORKING CAPITAL	<u>57,994</u>	<u>36,404</u>
WORKING CAPITAL AT BEGINNING OF YEAR	177,374	213,778
As previously reported		
Adjustment for re-classification of marketable securities	<u>26,352</u>	<u>26,352</u>
As restated	<u>151,022</u>	<u>187,426</u>
WORKING CAPITAL AT END OF YEAR	\$ <u>93,028</u>	\$ <u>151,022</u>

48 claims in the Wildnest Lake area, of the Churchill Mining District, Saskatchewan, a 70% interest acquired for cash 1,550

Scope Resources Limited owns the remaining 30% interest in these claims. Future expenditures will be shared on a 70-30 basis.

3 claims blocks (3558, 3559, 3560) in the Snow Lake area, of The Pas Mining District, Manitoba, acquired for cash 875

OPTIONS

7 claims (Canton) in the Snow Lake area, of The Pas Mining District, Manitoba, optioned for cash 3,000
The option agreement calls for an original deposit of \$2,000 plus \$1,000 for each of three years to maintain the option. A final payment of \$25,000 will give the company 90% ownership in the claims

\$ 117,925

2. FIXED ASSETS

Fixed assets are recorded at cost. No provision has been made in the accounts for depreciation on these assets in the current and prior years.

	1972	1971
Buildings	\$ 17,606	\$ 17,606
Machinery and equipment	56,249	55,955
Jeep and trailer	<u>6,950</u>	<u>6,950</u>
	\$ 80,805	\$ 80,511

GEORGE BRUCE WHITE —

WILFORD J. MCSORLEY BURSARY

For the fourth successive year this Bursary was awarded to a student in the first year of the Mineral Sciences Courses at Keewatin Community College in The Pas, Manitoba. The Bursary honours the memory of our late President, Mr. Wilford J. McSorley and our late Secretary-Treasurer, Mr. G. Bruce White, and also gives us the opportunity of assisting worthy students in the pursuit of post-secondary education.



GEORGE T. SMITH

George T. Smith, B.A. Sc., was born in Haileybury, Ontario, 28 September 1929. He graduated from the University of Toronto, B.A. Sc. in 1956; and Osgoode Hall Law School, Toronto in 1956. Mr. Smith is Executive Vice-President and Director, Northgate Exploration Limited, since 1970; President and Director, Siscoe Mines Limited, Camflo Mines Limited, Martin McNeely Mines Ltd., Mymar Mining and Reduction Limited, Vice-President and Director, Consolidated Morrison Explorations Limited, Chesbar Iron Powder Limited, Director, The Granby Mining Company Limited, Lacahe Mining Company Limited, International Obaska Mines Limited and Silver Eureka Corporation Limited. He was called to the Bar of Ontario in 1956 and joined Northgate Exploration Limited in as Vice-President and Counsel in 1970. Mr. Smith is a member; Board of Governors, St. Michael's College and a member of Board of Trade of Metropolitan Toronto.

STALL LAKE MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1972

3. DEFERRED CHARGES

DEFERRED EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES

	<u>1972</u>	<u>1971</u>
Exploration and development	\$ 146,203	\$ 134,860
Snow Lake, Manitoba	84,325	84,325
Wildnest Lake, Saskatchewan	13,035	2,293
Claim Blocks 3558, 3559, 3560, Manitoba	1,110	
Canton Claim option, Manitoba	244,673	221,478
Administration	160,518	132,452
Interest income	(60,056)	(50,822)
	<u>\$ 345,135</u>	<u>\$ 303,108</u>

The summary reflects the cumulative totals for those claims and options remaining in good standing, together with cumulative totals of administration and income.

4. CAPITAL STOCK

During the year, options on 6,001 common shares at \$1.20 per share were exercised by officers.

At March 31, 1972 there were no outstanding stock options.

5. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers (as defined by the Companies Act) was as follows

Directors and senior officers	\$ 7,200	\$ 7,200
Other employees	11,609	3,545

6. COMPARATIVE FIGURES

Certain of the 1971 figures have been re-classified to make them comparable with the current year.

